

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

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R 291957Z JUL 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1769

INFO AMEMBASSY BONN

AMEMBASSY LONDON

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PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, GW, FR

SUBJECT: FRENCH PRESS ON MONETARY ASPECTS OF GISCARD-SCHMIDT MEETING

1. SUMMARY. FRENCH PRESS STRESSED AGREEMENT ON MONETARY EMPHASIS IN PROJECTED FALL SUMMIT MEETING AS A MAJOR INTERNATIONAL RESULT OF GISCARD-SCHMIDT MEETING. LE MONDE SUGGESTS FRANCO-GERMAN ACCORD ON URGENT NEED FOR NEW MONETARY SYSTEM BUT ECONOMIC PRESS WARNS THAT MAJOR DIFFERENCES REMAIN BETWEEN TWO COUNTRIES' VIEWS. END SUMMARY.

2. MAURICE DELARUE IN LE MONDE OF JULY 29 EMPHASIZES BASIC GERMAN AGREEMENT WITH FRENCH THESIS OF PRIME IMPORTANCE ESTABLISHING NEW INTERNATIONAL MONETARY SYSTEM. DELARUE ADMITS THAT AGREEMENT REACHED WAS "COMPLETE ON PROCEDURE, PROBABLY A BIT LESS
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ON SUBSTANCE", AND THAT OTHER MATTERS - THE CURRENT

ECONOMIC SITUATION AND ENERGY - "WILL NOT BE EXCLUDED FROM AUTUMN "SUMMIT" TWO LEADERS AGREED ON. MAIN PURPOSE OF PROJECTED MEETING, HOWEVER, IS "FUNDAMENTAL REORGANIZATION OF INTERNATIONAL MONETARY SYSTEM" TO USE WORDS DELARUE ATTRIBUTES TO SCHMIDT.

3. ON SUBSTANCE, ARTICLE STATES "MESSRS. GISCARD D'ESTAING AND SCHMIDT GAVE NO DETAIL ON SUBSTANCE THEIR DISCUSSION OF INTERNATIONAL MONETARY PROBLEM, BUT IT IS CLEAR THAT THEIR VIEWS VERY CLOSE. CHANCELLOR BELIEVES - AS DOES M. GISCARD D'ESTAING - THAT PRESENT MONETARY INSTABILITY SHAKING FOUNDATIONS OF WESTERN ECONOMIES, AND THAT FIGHT AGAINST INFLATION PRESUPPOSES (PASSE PAR) RECONSTRUCTION OF A MONETARY SYSTEM AND THAT, IN THIS MATTER, AMERICA HAS HEAVIEST RESPONSIBILITY. HENCE, HE (SCHMIDT) AGREED WITHOUT HESITATION TO THE ABOVE PROCEDURE (I.E. A MEETING BEFORE THE END OF THE YEAR), WHICH M. GISCARD D'ESTAING SUGGESTED IN HIS RECENT INTERVIEW WITH AMERICAN JOURNALISTS. NOTHING EFFECTIVE CAN BE DONE, EACH BELIEVES, UNLESS TWO MAJOR WESTERN INDUSTRIAL POWERS (PRESUMABLY U.S. AND E.C.) AGREE ON MAJOR TRAITS OF NEW INTERNATIONAL MONETARY SYSTEM." GISCARD'S APPARENT QUID PRO QUO FOR THIS WAS ADMISSION OF LONG-STANDING (AND ONE WOULD THINK BY NOW SELF-EVIDENT) GERMAN VIEW THAT "ONE CANNOT HAVE COORDINATED MONETARY POLICIES UNLESS AT SAME TIME ONE HAS COORDINATED ECONOMIC POLICIES."

4. AS CONCERNS PARTICIPATION IN CONFERENCE, ARTICLE NOTES IT SHOULD BE "AS RESTRICTED AS POSSIBLE", BUT ADMITS THAT "TEETH GNASHING" OF OTHER EC PARTNERS MAY NECESSITATE FURTHER INVITATIONS. ON THE LEVEL OF THE MEETING TWO LEADERS REPORTED "PERPLEXED". "THE CONFERENCE SHOULD BE ON A HIGH POLITICAL AND ECONOMIC LEVEL, BUT ALL CHIEF EXECUTIVES ARE NOT FINANCIAL EXPERTS LIKE THE FRENCH PRESIDENT AND THE GERMAN CHANCELLOR. THIS IS PARTICULARLY TRUE OF THE UNITED STATES. IN THE END, THERE WILL CERTAINLY BE A SUMMIT, BUT STRONGLY SUPPORTED BY TECHNICIANS."

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5. FIGARO ARTICLE OF JULY 28 BY BONN CORRESPONDENT BOUDOUIN BOLLAERT CALLED MEETING "A DIALOGUE WITHOUT SOUR NOTES". ARTICLE NOTES SCHMIDT "HAS RALLIED TO GISCARD'S PROPOSAL TO HOLD A SMALL MONETARY SUMMIT THIS FALL IN PARIS" AND QUOTES A "SPOKESMAN" OF SCHMIDT AS SAYING CHANCELLOR IS IN FAVOR OF A "FUNDAMENTAL REORGANIZATION OF THE INTERNATIONAL MONETARY SYSTEM."

6. PARIS HERALD TRIBUNE OF JULY 28 NOTES THAT "FRENCH OFFICIALS INDICATED YESTERDAY THAT AT A MONETARY REFORM CONFERENCE A SYSTEM COULD BE ARRANGED ON WHICH THE DOLLAR AND THE JAPANESE YEN WOULD FLOAT IN A WIDE BAND AROUND THE JOINTLY FLOATING EUROPEAN CURRENCIES."

7. SPECIALIZED ECONOMIC PRESS HAS BEEN SOMEWHAT MORE

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RESTRAINED. WHILE ALL (LES ECHOS, CORRESPONDANCE ECONOMIQUE, AGEFI) NOTED MONETARY EMPHASIS OF "SUMMIT" PROPOSED IN FALL, LITTLE EMPHASIS WAS GIVEN EVENT BY FIRST TWO, WHILE AGEFI SOUNDED SEVERAL NOTES OF CAUTION. IT POINTED OUT THAT DISCUSSION OF OTHER QUESTIONS WAS A GERMAN PRECONDITION FOR SUMMIT, NOT JUST "A POSSIBILITY". MOST IMPORTANT AGEFI STRESSES THAT (PRESUMABLY GERMAN) "GOVERNMENT CIRCLES" ADDED THAT MEETING "HAS NO ANTI-AMERICAN PURPOSE" AND THAT MINISTERS APEL AND

FOURCADE "COULD NOT SURMOUNT THEIR DIFFERENCES ON GOLD AND THE DOLLAR". UNNAMED SOURCE WAS FURTHER QUOTED AS SAYING "BONN HOLDS TO THE PRINCIPLE OF FLOATING BUT (BELIEVES) FUNDAMENTAL REPAIRS MUST BE MADE TO THE INTERNATIONAL MONETARY SYSTEM." SIMILAR OBSERVATION ON GERMAN VIEWS ON FLOATING AND REFORM WAS MADE BY CORRESPONDANCE ECONOMIQUE, WHICH ALSO SUPPLIED INFORMATION THAT AGREEMENT WAS REACHED THAT E.C. FINANCE MINISTERS WOULD MEET IN ITALY IN AUGUST TO ESTABLISH UNCLASSIFIED

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COMMON POSITION FOR SEPTEMBER IMF MEETING.

8. COMMENT: THERE IS A SIGNIFICANT DIFFERENCE IN APPROACH BETWEEN MONDE ARTICLE, ON ONE EXTREME, AND CAUTIOUS APPROACH OF AGEFI ON OTHER. EMBASSY FINDS IT HARD TO SEE HOW FRANCO-GERMAN DIFFERENCES ON KEY ISSUES OF FLOATING ARE RECONCILED WITH AGREEMENT ON URGENT AND INDISPENSIBLE NEED FOR NEW MONETARY SYSTEM. IN ALL, THE PARIS PRESS LEAVES MONETARY ASPECTS OF BONN DISCUSSIONS STILL SHROUDED IN RHINELAND MIST. GAMMON

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